

HEARING DATE AND TIME: December 17, 2015 at 10:00 a.m. (Eastern Time)

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

Case No. 08-13555 (SCC)

**THIRD STATUS REPORT OF RMBS TRUSTEES' IN CONNECTION WITH THE
ORDER ESTABLISHING A PROTOCOL TO RESOLVE CLAIMS FILED BY RMBS
TRUSTEES ON BEHALF OF CERTAIN ISSUERS OF RESIDENTIAL
MORTGAGE-BACKED SECURITIES**

U.S. Bank National Association, Law Debenture Trust Company of New York, Wilmington Trust Company, Wilmington Trust, National Association, and Deutsche Bank National Trust Company, not individually but solely in their respective capacities as trustees for certain RMBS trusts (each a “*Trustee*” and collectively the “*RMBS Trustees*”) submit this Third Status Report in connection with that certain *Order Establishing A Protocol To Resolve Claims Filed By Trustees On Behalf Of Certain Issuers Of Residential Mortgage-Backed Securities* (ECF 47569) (the “*RMBS Claims Protocol*” or “*Protocol*”).¹

Introduction

On December 29, 2014, the Court entered the RMBS Claims Protocol. The RMBS Trustees began complying with the RMBS Claims Protocol prior to its entry by requesting, in writing, that the master servicers (and later the servicers) provide the loan files for the Covered Loans² in the Covered Trusts. Thereafter the RMBS Trustees embarked upon a comprehensive process to review the individual loan files by: (a) vetting and retaining five loan review firms;³

¹ All terms that are not defined herein shall have the definition set forth in the RMBS Claims Protocol. All data and numerical information contained in this Status Report is through November 30, 2015, unless otherwise indicated, and relates solely to Covered Loans, as defined below.

² The term Covered Loans relates to those loans for which the Debtors admit they have sole potential liability for breaches of representations or warranties. These include certain loans that were originated by an affiliate of Lehman Brothers Holdings Inc. (“*LBHI*”) (including but not limited to BNC, Finance America, Aurora Bank, Aurora Loan Services and Mortgage Lenders Network), and other originators that LBHI (or its affiliates) did not assign the origination representation and warranties on to the relevant Trust.

³ Acknowledging the Court’s comments last December, the RMBS Trustees retained five review firms to review loan files: (1) Digital Risk Advisory Services; (2) Opus Capital Market Consultants, LLC; (3) EdgeMac Mortgage Advisory Services, LLC; (4) CrossCheck Compliance LLC; and (5) The Oak Leaf Group, LLC (collectively the “*Loan Review Firms*”). Duff & Phelps, LLC (“*Duff & Phelps*”) has, among other tasks, served (i) to oversee the efforts of the Loan Review Firms to ensure a review consistent with the RMBS Claims Protocol and each other, (ii) to prepare and submit RMBS Claims to the Debtors, and (iii) to coordinate with the Plan Administrator’s professionals on the Protocol. In the aggregate, approximately 600 people are involved in fulfilling the requirements of the Protocol.

(b) collecting loan files from servicers; (c) collecting servicing documentation; (d) reviewing files for completeness; and (e) submitting claims to the Plan Administrator.

The Loan Files Submitted Through November 30, 2015

The RMBS Trustees submitted to the Plan Administrator RMBS Claims arising from a loan-by-loan review of 137,374 loans on a rolling basis in twenty deliveries from March 17 through November 30, 2015. *See* Exhibit A. The RMBS Trustees determined through their Loan Review Firms and Duff & Phelps that 60,995 of these loans had breaches of representations and warranties that materially and adversely affected the value of the loans to the trusts and/or the interests of certificateholders, and thus submitted RMBS Claims in respect of such loans to the Plan Administrator.

Through November 30, 2015, the Plan Administrator responded to 33,091 RMBS Claims as follows:⁴

- 806 Approved Claim Files (2.44%);⁵
- 28,846 Rejected Claim Files (87.17%);⁶ and
- 3,439 files deemed by the Plan Administrator to have insufficient documentation for review (10.39%).

The RMBS Trustees have 20 days from the date of receipt of rejections to rebut the Plan Administrator's responses regarding the Rejected Claim Files.

⁴ The RMBS Trustees reserve their rights with respect to the responses of the Plan Administrator.

⁵ One of the Approved Claim Files was of a non-liquidated loan that has since liquidated with no loss.

⁶ There were 26 Rejected Claim Files that were submitted as non-liquidated loans that have since liquidated with zero loss and thus these claims were rescinded.

Thus far the RMBS Trustees have accepted the rejections of 180 Rejected Claim Files and resubmitted 22,216 Rejected Claim Files to the Plan Administrator with the RMBS Trustees' rebuttal. Additionally, the RMBS Trustees have rescinded 26 Rejected Claims as the loans have paid out without any loss. The RMBS Trustees are currently in the process of reviewing the remaining 6,424 Rejected Claim Files.

A. Collection of the Other Relevant Loan Files (Protocol Section I(e) or III(b)).

The RMBS Trustees have actively continued their pursuit of the 213,639 loan files at issue from thirteen different servicers through e-mail and telephonic conversations with them and/or master servicers.⁷ Thus far, the RMBS Trustees have obtained 199,437 loan files. For various reasons, the RMBS Trustees have declined to pursue 6,616 of the outstanding loan files. Thus, the RMBS Trustees have retrieved 93.4% of the loan files.

Approximately 7,586 loan files remain to be retrieved. There are also approximately 3,658 loan files received that are incomplete. The RMBS Trustees are continuing to pursue these loan files and missing documents.

(i) Process upon Receipt of the Loan Files (Protocol Section III(b)). Upon receipt of loan files, Duff & Phelps notifies the Plan Administrator of their receipt in compliance with Section III(b)(i) of the Protocol, and distributes the loan files to a Loan Review Firm to review for completeness. The completeness data is submitted by the Loan Review Firms to Duff & Phelps, who aggregates the information and delivers a formal Notice of Completeness to the Plan Administrator as required by the Protocol in Section III (b)(ii) (the "*Notice of Completeness*"). Duff & Phelps has now delivered Notices of Completeness to the Plan

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The loan servicers are Nationstar Mortgage LLC, Aurora Loan Services LLC, Ocwen Loan Servicing LLC, Citimortgage Inc., Wells Fargo, Chase, Select Portfolio Servicing, Bank of America, N.A., Colonial Savings, Midwest Loan Services, Inc., PHH Mortgage, Bank of Hawaii and Washington Mutual.

Administrator with respect to all loan files received. The RMBS Trustees have determined that 3,658 of the loan files reviewed for completeness are incomplete for purposes of the RMBS Trustee's review, and therefore are not subject to immediate review under the Protocol pending efforts to obtain missing documents from the relevant servicer. The RMBS Trustees are working with the servicers to obtain such missing loan documents and the servicers to date have been generally cooperative in this effort.

(ii) Loan Files Not Yet Delivered. Currently approximately 7,586 loan files still must be delivered by the servicers to the RMBS Trustees.

(a) Approximately 6,563 loan files in aggregate are outstanding from **Ocwen**. Ocwen has advised that it never received 4,438 of the loan files, which had been liquidated or charged off before it became the servicer, thus reducing the number of loan files to be provided to 2,125.⁷ Ocwen expects to make further deliveries of loan files and to provide certain missing documents in files previously delivered. Ocwen has been cooperating to retrieve all of the requested loan files and missing documents.

(b) Approximately 907 loan files in aggregate are outstanding from **Chase**. Chase expects to make further deliveries of loan files. Chase has been cooperating to retrieve all of the requested loan files.

B. Review of Loan Files/Claim Submission (Protocol Section III(c)(i) and (ii)).

To date, the RMBS Trustees have met each of the Protocol milestones for the review of loan files. Specifically, the RMBS Trustees reviewed (1) more than 10,000 loan files before March 31, 2015, (2) 50,000 loan files by June 30, 2015, and (3) 17,000 loans in each of July, August, September, October and November 2015.

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The RMBS Trustees are inquiring with the prior servicer (Chase) to see if these loan files are still available.

As requested by the Plan Administrator, the RMBS Trustees are submitting claims twice a month—generally mid-month and end of month. The dates of submissions are attached as Exhibit A (Protocol Section III(c)(ii)).

As of November 30, 2015, a total of 137,374 loan files have been reviewed.

(i) Format of the Claims Submission (Protocol Section III (e) and Exhibit

C). The RMBS Trustees have submitted claims in compliance with Section (III) (e) of the Protocol. The claims have been submitted on a loan-by-loan basis. As previously noted, the November 30, 2015 milestone was duly met, and each claim was submitted with an RMBS Claim File. The RMBS Trustees have submitted a total of 60,995 RMBS Claims as of November 30, 2015. In determining whether to assert a claim, the RMBS Trustees, through their advisors, determined whether there was a defect with respect to a loan or loan file, determined whether such defect related to a representation and warranty contained in the relevant transaction document, whether such defect or deficiency breached such representation or warranty, and whether such breach had the requisite material and/or adverse effect contemplated by the underlying documents. Each RMBS Claim contains the materials received by the RMBS Trustees supporting the claim, sets forth the alleged defect(s) in the loan file, a statement of how the breach entitles the relevant Trustee to a claim, a calculation of the damages claim with documents the RMBS Trustees believe to be relevant, and the date of the discovery of the breach. The RMBS Claims have been submitted on a rolling basis along with a Claim Tracking Spreadsheet in form and substance similar to that attached to Exhibit C of the Protocol.

(iii) Responses from the Plan Administrator. (Protocol Section III(c)(iii) and Protocol Section IV)) Under the terms of the RMBS Claims Protocol, once a claim is submitted the Plan Administrator has 30 days to review a loan file for completeness. The Plan

Administrator has submitted completeness reviews identifying loans that are purported to be missing documents.

C. Servicing File Documents (Protocol Section IV).

As noted, the RMBS Trustees are pursuing certain servicing information and documents requested by the Plan Administrator as provided in the Protocol Order.

D. DISCLOSURE TO THIRD PARTIES. *The RMBS Trustees, with input from their counsel and advisors, are reviewing Covered Loans for breaches of representations and warranties. The Plan Administrator has the right to object to any claim submitted by the RMBS Trustees as provided in the RMBS Claims Protocol. While the RMBS Trustees have submitted claims, they make no representation or warranty that the Plan Administrator will agree with the claims or that the claims will ultimately be recoverable against the Estate.*

Dated: December 14, 2015

Respectfully Submitted,

**U.S. BANK NATIONAL ASSOCIATION, SOLELY
IN ITS CAPACITY AS INDENTURE TRUSTEE
FOR CERTAIN MORTGAGE-BACKED
SECURITIES TRUSTS**

**BY: /s/ Franklin H. Top III
ONE OF ITS ATTORNEYS**

**LAW DEBENTURE TRUST COMPANY OF NEW
YORK, SOLELY IN ITS CAPACITY AS
SEPARATE TRUSTEE FOR CERTAIN
MORTGAGE-BACKED SECURITIES TRUSTS**

**BY: /s/ M. William Munno
ONE OF ITS ATTORNEYS**

**WILMINGTON TRUST COMPANY AND
WILMINGTON TRUST, NATIONAL
ASSOCIATION, EACH SOLELY IN ITS
CAPACITY AS TRUSTEE FOR CERTAIN
MORTGAGE-BACKED SECURITIES TRUSTS**

**By: /s/ John C. Weitnauer
ONE OF ITS ATTORNEYS**

**DEUTSCHE BANK NATIONAL TRUST COMPANY,
SOLELY IN ITS CAPACITY AS TRUSTEE FOR
CERTAIN MORTGAGE-BACKED SECURITIES
TRUSTS**

**By: /s/ Christopher M. Desiderio
ONE OF ITS ATTORNEYS**

Exhibit A – Loan Files Reviewed

Date	Loan Files
March 17, 2015	2,059
March 27, 2015	471
March 30, 2015	2,015
March 31, 2015	5,765
April 23, 2015	1,446
April 30, 2015	8,930
May 15, 2015	3,414
May 29, 2015	12,156
June 17, 2015	3,811
June 29, 2015	12,307
July 17, 2015	4,135
July 31, 2015	12,865
August 14, 2015	3,023
August 31, 2015	13,977
September 18, 2015	4,128
September 30, 2015	12,872
October 15, 2015	4,716
October 30, 2015	12,284
November 17, 2015	3,333
November 30, 2015	13,667
Total	137,374